

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-8000  
August 25, 1999

OFFICE OF THE ASSISTANT SECRETARY  
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

MORTGAGEE LETTER 99-27

**MEMORANDUM FOR: ALL APPROVED MORTGAGEES**

**ATTENTION: SINGLE FAMILY SERVICING MANAGERS**

**SUBJECT: NEW PROCEDURES FOR FILING LOSS MITIGATION CLAIMS**

The purpose of this mortgagee letter is to announce the impending automation of loss mitigation claim processing, to introduce a slightly modified claim form, to review the procedures for filing and processing these claims and to provide a new tool to inquire about claim status. Until now, the three claim types, special forbearance (31), loan modification (32), and partial claim (33) have been processed manually at HUD. This processing is scheduled to be automated on HUD's mainframe computer claim system by late August. This will speed processing and payment of these claims.

Mortgagees must continue to send these claims to HUD in paper format. However, plans are underway to allow electronic filing in the future. Since electronic filing is not yet possible, **no paper processing fee will be charged for these three types of loss mitigation claims.**

**CHANGES RESULTING FROM THIS AUTOMATION**

Detailed claim instructions are included in Attachment B. These instructions supersede those included as Attachment B in Mortgagee Letter 96-61. **The revised Form HUD-27011, Single Family Application for Insurance Benefits (claim form, see A. below), along with these new claim instructions should be used to file loss mitigation claims upon receipt of this Mortgagee Letter.** Once we have completed the change from manual to automated processing of the three loss mitigation claim types, any claims received on the old form will be returned without review.

**A. Modifications to the claim form** to capture the information needed for loan modification claims (See Attachment A. The current version of HUD-27011 may also be found using HUDCLIPS, the HUD Client Information and Policy System at <http://www.hudclips.org>.)

1. Item 1: Three new claim type options.

2. Item 7: Split into two fields; (a) for due date of first payment under original mortgage; (b) for due date of first payment under modified mortgage (claim type 32)
3. Item 15: Split into two fields; (a) for original mortgage amount; (b) for new original mortgage amount under modified mortgage.
4. Item 45: New field for new interest rate under modified mortgage.
5. Item 46: New field for new maturity date for modified mortgage.
6. Item 47: New field for last ARM rate under original mortgage.

**B. Changes in instructions for completing claim form items:**

1. Item 8: "Due date of last complete installment paid" will be used for its stated purpose for all claim types; it will no longer be used to capture new first payment date for modified loans.
2. Item 17: "Unpaid loan balance as of date in block 8" will be used for its stated purpose for all claim types; it will no longer be used to capture the new modified loan amount.
3. Item 22: "Is the property vacant?" must be answered for all three claim types.

**C. New procedures for handling suspended loss mitigation claims:** In place of phone calls, claims will be returned with form letters requesting correction or documentation. Claims must be resubmitted to HUD, with HUD's cover letter on top, with requested information within 45 days, or be subject to denial. Please do not send duplicate claims to HUD unless instructed to do so. First, verify claim status with HUD. Only if there is no record of claim receipt should a duplicate claim be submitted.

**D. Automated payment process:** Claims will be paid through Electronic Funds Transfer (EFT) with individual payments for each claim. The EFT addendum record that is sent to the bank with the payment will provide the mortgagee reference number as entered on the claim form as well as the FHA case number. This should make it easier to identify payments. Advice of payment letters will also be mailed for each claim payment. They will be mailed to the payee address found on HUD's Institution Master File (IMF) for the holder and servicer.

Based on the experience of processing the claims filed to date, there are a number of points that we would like to review:

**VERIFICATION OF HOLDER/SERVICER INFORMATION**

HUD will check the holder and servicer information entered in items 12 and 1-3 of the claim form against HUD's database. Both fields, items 12 and 13, must be completed even if they are the

same. If there is a discrepancy between the data on the claim and what is stored on HUD's database, the claim will not be paid until the discrepancy is resolved. We have found the most common problem to be that the holder information has not been updated by mortgagees in HUD's system. It is the mortgagee's responsibility to notify HUD of any changes in holder or servicer.

Please note that this data can be updated using the EDI transaction set 266 (Mortgage Record Changes and Terminations) and by using the FHA Connection. The FHA Connection can also be used to check the data before filing a claim.

### **DOCUMENTATION REQUIREMENTS; POST CLAIM REVIEW**

It is not necessary to send copies of the forbearance agreement, loan modification or subordinate mortgage and promissory note with the claim for incentives. However, this information must be maintained in the audit file and will be subject to review by HUD in the post claim audit. (See instructions below for mailing of the original documents for subordinate mortgages.)

### **USING THE MODIFIED CLAIM FORM FOR OTHER CLAIMS-CONVEYANCES, PREFORECLOSURE SALE CLAIMS, SUPPLEMENTAL CLAIMS**

The HUD-27011, containing the minor modifications described above, may be used for all single family mortgage insurance claims. Items 7b and 15b should not be filled out for any claim other than a loan modification (claim type 32). Use items 7a and 15a for the fields formerly identified as items 7 and 15. The new items 45, 46 and 47 apply only to claim type 32.

There will be no change in the EDI claims transaction set at this time.

### **CLAIM STATUS INQUIRIES**

Currently, claim status is available through the telephone service center at 703-235-9102. The automated voice response system (VRS) gives callers information about paid claims. Status of the three new loss mitigation claim types (31, 32, and 33) will not be available on the automated VRS. Instead, status of all types of claims, including these three, will be available through HUD's FHA Connection. This system enhancement to the FHA Connection will be available in August at the same time loss mitigation claim processing automation is implemented. If you are registered to use the FHA Connection and have authorization for the data item "Claim Status," you will be able to find status by selecting:

Single Family Servicing, then  
Claims Processing, then  
Claim Status

Lenders will be able to query the FHA Connection regarding the status of individual claims or all claims processed during a specified date range. Detailed payment information, in the format of an advice of payment will be available for paid claims. Edit codes explaining claim deficiencies will be available for "suspended" claims.

There will be help screens available on the FHA Connection to explain how to use this tool. There are some limitations that must be understood. Claim status information will be as of the last business day. It will not include claims processed on the current day. Responses to queries about supplemental claims will be limited to the most recent one if multiple supplementals were processed. New edit codes for suspended loss mitigation claims will be introduced and defined in one of the help screens.

### **CLAIM FILING TIME REQUIREMENTS**

Please note that the three loss mitigation claim types, 31, 32 and 33, must be received within 60 days of the date of the special forbearance agreement, loan modification or partial note as entered in item 9 on the HUD-27011. **Unlike other claims, which incur an interest curtailment for late filing, late claims for incentives will be denied.** No payments at all will be made for special forbearance claims and loan modification claims that are received late. For partial claims that are received late, HUD will reimburse mortgagees for the funds advanced for the subordinate mortgage but will not pay the incentive fee. No supplemental claims are permitted for claim types 31, 32 and 33.

### **PARTIAL CLAIM PROCEDURES**

Reminder: The amount shown on line 107 of the HUD-27011 must match the amount of the subordinate mortgage as displayed on the note.

Do **not** send the original promissory note for the subordinate mortgage with the partial claim.

Send-original promissory notes and subordinate mortgages to:

U.S. Department of HUD  
c/o Clayton National  
4 Corporate Drive  
Shelton, CT 06484

For servicing questions or payoff requests, or instructions for remitting payoff checks, processing reconveyances and instructions for releasing subordinate mortgages, please contact:

U.S. Department of HUD  
c/o Clayton National  
4 Corporate Drive  
Shelton, CT 06484

Phone number: 1-800-967-3050

**MISCELLANEOUS**

**Automatic extensions to foreclose because of loss mitigation activities:** When filing conveyance claims, please note that any automatic extensions allowed because of loss mitigation activities, in accordance with CFR 203.355, must be entered in item 19 of the HUD-27011 to avoid interest curtailment.

**Questions about loss mitigation policies and servicing issues** should be addressed to the HUD Oklahoma City Central Servicing Office (888) 297-8685.

Sincerely,

A handwritten signature in black ink, appearing to read "William C. Apgar". The signature is fluid and cursive, with the first name "William" being the most prominent part.

William C. Apgar  
Assistant Secretary for Housing-  
Federal Housing Commissioner

Attachments